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ABSTRACT

This report discusses the administration of the 1977 summer food program for children. Widespread abuses in 1976 and earlier programs are reviewed. It is held that although some abuses did occur in 1977, these were fewer and less serious than before. Causes of the program abuses are discussed in detail, and include such factors as: (1) inadequate funds for State administration; (2) insufficient State staffing; (3) circumstances encouraging sponsors to submit overstated claims for payment; (4) identification of program target areas needs more attention; (5) improved but still inconsistent approval of sponsors and sites; (6) improved control of bidding and contracting; (7) insufficient State program monitoring and action on monitoring results; and (8) excessive advance payments to sponsors. Legislative and administrative actions for overcoming these problems are suggested. An appendix outlines the status of previous recommendations made to Congress and to the Secretary of Agriculture. (EB)

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REPORT BY THE

Comptroller General

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The Summer Feeding Program For Children: Reforms Begun--Many More Urgently Needed

The summer feeding program for children, administered by the Department of Agriculture's Food and Nutrition Service and the States, has a long history of problems, including fraudulent bidding and contracting, lunches thrown away, spoiled or otherwise unsatisfactory food, meals given to adults, and excessive reimbursement claims. The Senate Subcommittee on Nutrition asked GAO to review the 1977 program. Serious problems were still present, but there was no evidence of many of the abuses which occurred in previous years.

The Congress and the Department should give specific attention to the legislative ceiling on State administrative funds and to factors which encourage some sponsors to overstate their reimbursement claims. Also program administration should be improved in several areas.

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MARCH 31, 1978

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-178564

The Honorable George McGovern, Chairman
Subcommittee on Nutrition
Committee on Agriculture, Nutrition,
and Forestry
United States Senate

Dear Mr. Chairman:

This report discusses the administration of the 1977 summer food service program for children. It also discusses the potential impact of certain aspects of the recently enacted legislation on the 1978 program.

Many of the flagrant abuses characterizing this program in previous years did not seem to be present in the 1977 program, but significant abuses remained. The Congress revised the program's authorizing legislation in November 1977, but additional legislative changes are needed to help prevent abuses, as discussed in the report. Several administrative changes are also recommended in the report and were discussed with Food and Nutrition Service officials before the issuance of final program regulations for 1978.

This report's recommendations to the Secretary of Agriculture are on pages 45 and 46. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committee on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

Sincerely yours,

Comptroller General
Of the United States

Enclosure

COMPTROLLER GENERAL'S REPORT
TO THE SUBCOMMITTEE ON NUTRITION,
SENATE COMMITTEE ON AGRICULTURE,
NUTRITION, AND FORESTRY

THE SUMMER FEEDING PROGRAM FOR CHILDREN: REFORMS BEGUN--MANY MORE URGENTLY NEEDED

D I G E S T

Almost since its inception in 1971, the summer feeding program for children from economically poor areas has had continually recurring problems adversely affecting program operations and goals. The program, generally administered by State education agencies under the overall supervision of the Department of Agriculture's Food and Nutrition Service, is operated by nonprofit sponsors at neighborhood feeding sites.

Some of these past problems were fraudulent bidding and contracting, many meals thrown away, spoiled or otherwise unsatisfactory food, meals given to adults, excessive reimbursement claims, and other program violations. (See p. 2.)

Although neither GAO nor other entities saw evidence of many of these abuses in the 1977 program, the program still had serious problems. Improvement was particularly noticeable in bidding and contracting activities in New York City where the most serious problems were uncovered in previous years. (See pp. 5 to 11.)

UNDERLYING CAUSES OF PROGRAM ABUSES

Several factors contributed to the abuses. One was the inflexible legislative limits on the amount of Federal funds for State administration. This resulted in some States having to absorb part of these costs because they exceeded the Federal reimbursement ceiling. This could result in States refusing to administer the program--as New York has for 1978.

Insufficient funds for State administration can mean more money being wasted on improper and

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inefficient feeding operations than would have been spent for good administration.

Under law, the Food and Nutrition Service must administer the program if a State is unable or unwilling to do so. Federal personnel must act as local administrators performing all the approval and monitoring functions normally performed by the State. The costs of using Federal personnel can be higher than the costs of using State personnel.

GAO previously recommended legislation to change the method of determining the maximum funding level for State administration. Although some changes were made, more are needed to provide the needed flexibility in establishing ceilings on State administrative funds. (See pp. 12 to 18.)

Another basic problem is overstated reimbursement claims. These are encouraged when sponsors are given approval to operate sites without access to refrigeration. This is further complicated at sites which also lack access to sheltered facilities. When it rains, sponsors have to permit the children to remove meals from the site or not give them any at all. Food eaten away from the site or sponsor supervision is not eligible for reimbursement.

Leftover meals caused by bad weather or other factors are ineligible for reimbursement unless stored and served later. This, of course, requires refrigeration. Nonprofit sponsors sometimes claimed reimbursement for ineligible meals so that they did not have to absorb the cost or default on obligations to food vendors. (See pp. 19 to 22.)

Some site personnel seemed to be conscientiously trying to follow program rules to the extent permitted by the situation but still served meals that were not eligible for reimbursement. Other sponsors were not making effective efforts to match their meal orders with the number of children at their sites.

The obvious solution to this problem would be to obtain sites with adequate facilities, such as

schools. Although better efforts are needed in this direction, it may not be possible to obtain such sites in some areas despite extensive efforts to do so. (See pp. 22 to 26.)

Specific Department of Agriculture attention should also be directed to

--determining areas' eligibility for program benefits (see pp. 26 and 27),

--clustered and overlapping feeding sites (see pp. 28 and 29),

--keeping sponsors that had poor previous performances out of the program (see pp. 30 and 31),

--visiting proposed feeding sites before they are approved (see pp. 31 and 32),

--observing deadlines for sponsors' applications (see p. 32),

--monitoring program feeding operations (see pp. 35 to 37),

--taking action against sponsors and sites found to be violating program regulations (see pp. 37 and 38), and

--advancing only needed funds to sponsors; none to sponsors still owing money from previous advances (see pp. 39 to 41).

RECOMMENDATIONS

The Congress should revise the summer feeding program legislation to provide the Secretary of Agriculture with more flexibility in providing administrative funds to meet the different needs of States. (See pp. 43 and 44.)

The Congress and the Department of Agriculture should consider various alternatives for dealing with the problems resulting from inadequate facilities at feeding sites. (See pp. 44 and 45.)

Tear Sheet

The Secretary of Agriculture should strengthen some of the program regulations and better enforce existing ones. (See pp. 45 and 46.)

AGENCY COMMENTS

Department of Agriculture officials generally concurred in GAO's findings and recommendations and have begun to implement some of the recommendations. (See p. 46.)

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CHAPTER 1

INTRODUCTION

The summer food service program for children is authorized by section 13 of the National School Lunch Act, as amended (42 U.S.C. 1761). It is one of several child feeding programs created to safeguard the health of the Nation's children. It is an extension of the school feeding programs and is designed to feed, during the summer vacation, children from poor economic areas.

At the Federal level, the program is administered by the Department of Agriculture's Food and Nutrition Service. Below the Federal level, the program is generally administered by State education agencies which enter into agreements with local sponsors to operate the program at approved feeding sites. Sponsors are usually nonprofit private organizations or schools or other public agencies. They either prepare meals themselves or enter into agreements with food vendors for delivery of prepared meals to the feeding sites. If the State agency cannot or will not administer the program in the State, the Food and Nutrition Service will do so.

The program is designed to have the entire cost paid by the Federal Government through the States, although Federal ceilings on various costs sometimes result in some costs being absorbed by the States or sponsors.

Current estimates of Federal program costs and other data for recent years are shown below.

	1975	1976	1977
Federal cost (millions)	$65	$137	$125
Reported average number of children fed daily (millions)	2.4	3.7	2.9
Number of sponsors	1,200	2,100	2,800
Number of feeding sites	16,000	25,000	26,000

WIDESPREAD ABUSES IN 1976 AND EARLIER YEARS' PROGRAMS

Before 1977, weak and inconsistent program administration and noncompliance with regulations resulted in widespread abuses in the summer feeding program. Several of these abuses developed to epidemic proportions in places such as New York City. Typical of the problems noted in earlier years by the Department of Agriculture auditors and by us, and reported in our February 14, 1975, report (RED-75-336) and in our April 15, 1977, report (CED-77-59) were:

--Indications of kickbacks or bribes to sponsors from food vendors in order to secure contracts.

--Improper bidding procedures which resulted in contracts being awarded at unnecessarily high meal costs.

--Untimely meal deliveries to sites with inadequate storage facilities which resulted in food waste.

--Meals not containing the required amounts of food.

--Meals eaten by adults.

--Unauthorized removal of meals from the feeding sites.

--Food waste because meal times were too close together.

--Food thrown away because it was of poor quality, spoiled, or unappetizing.

--Deliberate dumping of food by some vendors, sponsors, or site personnel to cover up inflated claims for meals served and eligible for Federal reimbursement.

--Overpayments to sponsors because of fraudulent or unsubstantiated reimbursement claims.

After some members of New York's congressional delegation reported such abuses, the Chairman, Subcommittee on Elementary, Secondary and Vocational Education, House Committee on Education and Labor, asked us to review various aspects of the 1976 program's operations in New York City, Los Angeles County, Philadelphia, and Baltimore and to identify the causes of major abuses.

In December 1976 we briefed representatives of the Subcommittee and the Department of Agriculture on our proposals for administrative and legislative changes to strengthen the program. The Department issued final regulations for the 1977 program on March 1, 1977. These were intended to correct or alleviate many of the problems and abuses in past programs. However, as discussed in our testimony before the Subcommittee on March 23, 1977, we believed that additional specific administrative revisions should have been made and that certain legislative changes were needed.

We repeated these additional recommendations in our report to the House Committee on Education and Labor on April 15, 1977 (CED-77-59). Upon completion of oversight hearings on the program, the Congress on November 10, 1977, enacted legislation (Public Law 95-166, sec. 2, 91 Stat. 1325) which incorporated several of our recommendations for legislative as well as administrative changes.

By letters dated February 17 and March 25, 1977, respectively, the Chairman and the Ranking Minority Member of the former Senate Select Committee on Nutrition and Human Needs asked us to evaluate the operation of the 1977 summer food service program, the effectiveness of the administrative changes made by the Department of Agriculture to correct abuses and improve the program, and the need for additional legislative and administrative changes.

SCOPE OF REVIEW

We made our review primarily at the Food and Nutrition Service headquarters in Washington, D.C.; at two of its regional offices (Mid-Atlantic, Robbinsville, N.J., and Western, San Francisco, Calif.); at the State education agencies in New York, California, and Pennsylvania; and at various sponsor sites and other locations in New York City, Los Angeles County, and Philadelphia. These locations were included in our review of the 1976 program and we reviewed them again so that we could better assess improvements resulting from program changes for 1977.

In addition, we obtained comments on the 1977 program regulations and the then-proposed legislative changes for the 1978 program from the Maryland State agency which administers the summer program. We did not do a full review in Maryland because our review of its 1976 program showed it was a relatively problem-free program.

We evaluated the Federal and State agencies' prefeeding activities (such as outreach, training, sponsor and site

selection, and contracting with food vendors) and program operations during actual feeding of children (such as site and vendor monitoring and payment of claims). We interviewed Federal and State officials responsible for administering the 1977 program to obtain their comments for improving future program operations. We also visited selected feeding sites, sponsors, and vendors to review actual program operations, such as meal preparations, meal deliveries, food handling and service at sites, and recordkeeping.

To determine if meals served in the summer feeding program were complying with the Service's meal component requirements, we tested meals from feeding sites in Los Angeles County and reviewed the results of compliance testing done for the Department's Office of Audit in New York City.

CHAPTER 2

PROGRAM ABUSES CONTINUED IN 1977 BUT SEEMED LESS SEVERE

Since 1971 the summer feeding program has been plagued by continually recurring problems which have adversely affected program operations and goals. In 1977, the summer feeding program again had many serious abuses, but neither we nor other entities monitoring the program's operation saw evidence of many of the flagrant abuses which occurred in previous years. This was particularly true of the bidding and contracting activities in New York City where the most serious abuses were uncovered in previous years' programs.

This chapter describes the abuses and other bad effects of weak and inconsistent program administration and noncompliance with program regulations. The deficiencies which permitted the abuses to occur and the additional administrative and legislative changes we believe are needed are discussed in subsequent chapters.

LESS SERIOUS ABUSES IN THE 1977 PROGRAM

The Department revised its regulations and otherwise tightened its administration for the 1977 program to curb program abuses and New York conducted an intensive effort to keep disreputable and incompetent sponsors out of the program and to prevent improprieties in sponsors' contracting for meals. These efforts, discussed in detail in chapter 3, seemed to reduce or eliminate many of the serious and flagrant abuses.

Major abuses continued, however, in each of the three locations we reviewed. These included

--unauthorized removal of meals from feeding sites by adults, as well as children;

--meals eaten by adults;

--meals not containing the required amounts of food;

--poor quality food;

--inadequate food storage facilities;

--food waste caused by meal times being too close together; and

--overstated sponsor reimbursement claims.

During program operations we made joint visits with State monitors and also conducted independent visits to observe feeding operations in New York City, Los Angeles County, and Philadelphia. The abuses we observed were consistent with those reported by State and/or Federal monitors.

Some of the conditions we observed are illustrated by the following examples.

--While visiting one site, we observed three children leaving another nearby site with shopping bags filled with meals.

--At least 100 children left a site carrying one or two lunches. About 20 of these children went to an adjacent site and received more lunches.

--Lunches, delivered to a feeding site at the same time as the breakfasts, were left sitting for hours without refrigeration or ice in a hot storefront window. Children were advised to smell the milk before drinking it to determine if it had soured.

--At one site, breakfasts were served for 4 hours and lunch service was started immediately thereafter. Food waste from the lunches was consequently very high. Service regulations require that the serving of breakfast be limited to no more than 1 hour and that at least 2 hours elapse between the end of breakfast service and the start of lunch service.

About 43 percent of the meals delivered to, or prepared at, the sites we visited were ineligible for reimbursement due to noncompliance with program regulations, as shown in the following table.

	GAO visits	Meals delivered or prepared	Meals ineligible for reimbursement	Percent ineligible
Los Angeles County	13	2,093	a/818	a/39
New York City	36	6,276	1,909	31
Philadelphia	26	3,072	2,218	72
Total	75	11,441	4,945	43

a/These figures do not include meals removed from one site by children because conditions did not permit us to maintain an accurate count.

These results are not statistically projectible to all feeding sites in the three locations, but this, along with other data on ineligible meals, shows a serious problem.

Common problems observed included

--delivering more meals than were served because the sponsor did not adjust delivery orders to reflect actual consumption,

--failing to follow prescribed delivery schedules,

--serving meals at times other than those allowed,

--improperly removing meals from the site, and

--failing to maintain accurate site records to support reimbursement claims.

Some of the ineligible meals were given to needy children but, because they were not given out properly, they were not eligible for reimbursement.

Site personnel at some sites said that, to get rid of excess meals, they either gave the lunches away (in an unauthorized manner) or divided the leftover meals among themselves and took them home. We were unable to verify the ultimate disposition of leftover meals.

In Los Angeles County and New York City, we examined some of the sponsors' reimbursement claims to see if the

ineligible meals we had observed were claimed. (We did not do this in Philadelphia.) We found that the sponsors often claimed the number of meals delivered--which in many cases was the maximum authorized participation level--as the number served to children. The following table presents the results of our comparison.

Location	Sites	Meals			Excessive claims	
		Received	Served	Claimed	Meals	Percent
Los Angeles County	5	1,100	483	1,100	617	56
New York City	26	4,099	2,636	3,759	1,123	30

As discussed later in this report (see pp. 19 to 22), some of the excessive claims seemed to result from a combination of Federal requirements and Federal and State administrative activities.

During this part of our review, we found that the New York City school system (a sponsor in New York for the first time in 1977) seemed to be operating without most of the difficulties and problems observed regarding other sponsors. For the days of our visits, the school system's records of meals reported as served did not exceed the number of meals we observed as actually served and eligible for reimbursement. The significance of this is obvious. Even after we visited the nonschool sites, some sponsors still submitted claims in which 43 percent or more of the meals were ineligible. In most cases they made no deductions for noncompliance with regulations we saw firsthand.

Our site visits showed that serious problems still exist in the program. While the level of problems could vary substantially from location to location, the problems generally are systemic in nature, sometimes inherent in the design of the program, and thus have program-wide implications. In this connection, the Department's Office of Audit used a statistical sampling approach in 1977 to monitor sites in Philadelphia and New York City. (See pp. 35 and 36.) On the basis of the results of its work, the Office of Audit projected that at least 49 percent of the meals delivered in Philadelphia were ineligible for reimbursement because of program noncompliance, such as improper removal of meals from feeding sites, meals eaten by adults, and meals not containing the required amounts of food. For New York City, the Office of Audit projected that, for private sponsors, at least 18 percent

of the meals were ineligible for reimbursement, while at school sites only 1.5 percent of the meals were ineligible.

In California we reviewed all reports prepared by Federal monitors on their 367 site visits. Our analysis of these reports showed that the most significant problem was sponsors' failures to adjust meal deliveries to reflect actual consumption. According to the reports, 26 percent of the meals delivered were excess, as shown below.

Number of meals			Percent
Delivered	Served	Excess	excess
37,892	28,047	9,845	26

The reports did not note the ultimate disposition of the excess meals, but they clearly showed that large amounts of resources were not being used for the intended purpose--the feeding of needy children.

Reduced waste in New York City program

For 1977 the New York State agency made a special effort to reduce the abuses and waste resulting from various program problems by carefully selecting sponsors and closely controlling sponsors' contracts with food suppliers. This effort was successful and enabled the State agency to achieve more efficient and effective program administration. Some of the unsatisfactory sponsors and sites in New York City's previous programs were kept out, many of the flagrant abuses in the city seemed to have been eliminated, and reductions in program costs were achieved. One measure of the success of these efforts is that in 1976 program monitors terminated about 1,500 sites in the city for program violations, whereas in 1977 only 231 sites were found to be in serious violation and terminated. In 1977 the city's program operated with 90 sponsors and 2,605 sites; in 1976 there were 153 sponsors and 5,706 sites.

Because of the inadequacy of program records, it was not possible to tell whether needy children were inadvertently affected adversely by the efforts to improve the program in the city. This uncertainty will exist as long as the lack of adequate, reliable records continues. In this regard, allegations were made to the Department's Office of Audit that the program reductions in New York City had adversely affected needy children; however, when the Department requested evidence to support the allegations, none was provided.

Insufficient quantities of food in meals served

In New York City and Los Angeles County, some tests were made to check compliance of the meals served with the Department's portion-size requirements. Many of the lunches tested did not meet the requirements.

The Department's requirements (commonly called the Type A lunch requirements) are designed to provide, over time, one-third of the nutrition called for in the recommended dietary allowances--except for calories--developed by the National Academy of Sciences. On the basis of the needs of 10-to-12 year old children, the Secretary requires that lunches contain two ounces of lean meat or other high protein food, three-quarters cup of two or more vegetables and/or fruits, one slice of enriched bread, and one half pint of fluid milk. Other meals also have portion requirements. Adjustments in the required quantities are permitted for younger and older children. (Revisions to the lunch requirements are being developed by the Department.)

In New York City we reviewed the results of meal testing conducted for the Department's Office of Audit by the Department's Food Safety and Quality Service. Tests were conducted on 233 lunches from various types of sites--sites whose meals were prepared by vendors, self-preparation school sites, and self-preparation nonschool sites. The results, as shown below, indicated that the lunches prepared by schools and other self-preparation sites had fewer problems than other kinds of sites.

Type of site	Percent failing	Number of meals tested
School	31	65
Nonschool	48	168
Total		233
Self-preparation	36	80
Vended	46	153
Total		233

The amounts of certain components by which the lunches failed were also smaller for the school sites. About 41 percent of the lunches tested from nonschool sites did not meet the requirement for meat or a meat alternate--the shortages averaged 11 percent. School sites did not meet this requirement in 23 percent of the lunches tested--the shortages averaged 17 percent. Likewise, self-preparation sites were better in meeting the meat requirement than vended sites by the same percentages as school sites compared with nonschool sites.

In Los Angeles County we tested 27 lunches from vended sites, self-preparation sites, and school sites. All but one of these meals failed to meet the Department's Type A meal requirements. Fourteen lunches were short of the meat requirement by an average of 19 percent. Additionally, 24 lunches were short of the vegetable and/or fruit requirement by an average of 22 percent. Schools in Los Angeles do not prepare meals for the summer feeding program; they buy them from vendors as do most of the nonschool sites in New York City.

No significant meal component testing was performed in Philadelphia.

Poor food quality

Of the 153 vended lunches tested for the Office of Audit in New York City, 20 percent had meat or meat alternates that were not of good quality (moldy or not fully cooked); 12 percent had fruit that was unripe, overripe, or moldy; and 73 percent had fruit juices with substandard flavor, of which 25 percent were sour. None of these conditions were observed in meals tested from self-preparation sites or school sites in New York City.

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In the following chapter, we discuss causes of the 1977 program abuses, the potential impact of the new summer feeding program legislation for 1978, and the need for additional administrative and legislative changes. The status of all the recommendations from our April 1977 report is discussed in appendix I.

CHAPTER 3

CAUSES OF PROGRAM ABUSES

Although the administration of the 1977 summer feeding program was notably better, overall, than in previous years, several aspects of the program need additional legislative and administrative attention. Several largely interrelated factors contributed to the abuses discussed in chapter 2.

Inadequate Federal funds for State administrative costs is a critical problem in some States and pervades all aspects of State administration. In 1977 New York's efforts to reduce program abuses--which were partially successful--resulted in a financial loss to the State, and this financial loss resulted in New York's refusal to administer the program in 1978.

Another serious problem is the approval of feeding sites with inadequate facilities for keeping leftover (excess) meals until the next day and for feeding children in inclement weather. Lack of adequate facilities, combined with Federal requirements for determining meals' eligibility for reimbursement, have the effect of encouraging sponsors to submit overstated claims for reimbursement.

Other problems that contributed to program abuses in 1977 include

--staffing shortages resulting from factors other than limits on State administrative costs,

--inadequate efforts to identify areas eligible for the program,

--inconsistent evaluations in approving sponsors and sites,

--insufficient State program monitoring and action on monitoring results, and

--inadequate State efforts to determine amounts of advance payments to sponsors.

INADEQUATE FUNDS FOR STATE ADMINISTRATION

We believe that additional changes in the authorizing legislation are needed to provide the proper levels of funds for States' administrative costs. The funding of these costs is of paramount concern because inadequate funds for

proper administration have an adverse domino effect on the entire program. When inadequate funding causes a State to reduce its staffing, incompetent or unscrupulous sponsors can be approved along with unsanitary, inadequate, or even nonexistent feeding sites; program monitoring and administration can be insufficient to identify and correct abuses; needy children can be given insufficient or inferior food or no food at all; and more money could be wasted on improper and inefficient feeding operations than would have been spent for good administration.

If States are forced to absorb administrative costs, they may refuse to administer the program. This forces Federal personnel to act as local administrators performing all the approval and monitoring functions normally performed by the State. This could also result in increased Federal costs.

In our April 1977 report, we recommended that program legislation be amended to change the method of determining the maximum level of funding for State administrative expenses. Although some revision was made in this part of the legislation in November 1977, we believe, on the basis of our review of the 1977 program, that additional changes should be made.

Problems resulting from inflexible limits on State administrative costs

Under previous legislation, each State was generally eligible for reimbursement of actual administrative costs up to 2 percent of its other program costs each year. The difficulties arising from such a procedure are illustrated by New York's experience.

In 1976 the New York State agency administered a program in New York City that was described as being totally out of control. State administrative efforts in the program's early phases were very weak and site personnel, sponsors, and vendors committed repeated and serious abuses, such as those described in chapter 2. Abuses were reported by many sources, including members of New York's congressional delegation.

In response to overwhelming criticism, the State agency belatedly hired additional program monitors to try to bring the program under control. The monitoring resulted in terminating about 1,500 unsatisfactory sites of the 5,706 sites operating in the city. As a consequence of this crash effort, the State agency spent about $210,000 for which it was not reimbursed because it exceeded its 2-percent reimbursement ceiling for administrative costs.

The New York agency carried over much of its 1976 program staff to plan and carry out the 1977 program; it planned to augment this staff with temporary hires during the summer months, primarily for program monitoring. The State's efforts, aimed at disapproving undesirable sponsor applicants, reducing overlapping sites, and correcting other earlier abuses, resulted in reducing its anticipated program cost from an initial estimate of $70 million to about $25 million, as discussed on pages 28 to 30. This meant that the Federal ceiling for administrative costs (limited to 2 percent) would have been reduced from $1.4 million to $500,000.

When it became apparent that the initially anticipated program size on which the 1977 State plan and administrative budget were based would not materialize, the State curtailed its hiring to try to avoid again incurring unreimbursable administrative costs. The State hired only 38 percent of the total planned program staff of 252. The majority of staff positions not filled consisted of program monitors; only 38 were actually hired out of a planned complement of 181.

With this State hiring reduction, the Department believed it necessary to supplement the State staff. Supplemental staff was needed despite the reduced size of the program because of the problems in New York City in previous years and the need to control program abuses. The Service's regional office provided 83 people (supervisors, monitors, and administrators) and the Department's Office of Audit provided 139 people (monitors and auditors) to help the State.

These Federal employees assisted with planning, contracting, and other activities before the start of feeding operations, as well as the monitoring and other functions necessary during the feeding operations. These Federal activities, valued at about $629,000, would have normally been State responsibilities subject to the 2-percent ceiling but the cost of the Federal assistance was not charged against the State's administrative reimbursement entitlement.

The total cost of the joint Department-State administration of the summer program in New York State in 1977 is estimated at $1.5 million. Although the total administrative costs paid by New York in 1977 exceeded the 2-percent ceiling by about $400,000 and the overall Federal-State cost exceeded the ceiling by about $1 million, expenditures of even this amount were not adequate to carry out the full extent of program monitoring required by the Service's regulations, as discussed on page 39, or to eliminate the abuses discussed in in chapter 2.

Although there were major problems in the 1977 program in New York City, the intensified effort seems to have resulted in eliminating many of the flagrant abuses. It seems incongruous to us that an intensified State effort resulting in a reduction in program abuses and an associated $45 million reduction in program costs resulted in a financial loss to the State. The State's loss in administrative costs would have been much greater if the intensified effort was implemented as originally planned, even though such an effort might have resulted in a further reduction in abuses. The loss would also have been much greater had the State been required to pay for the assistance the Department provided.

The new legislation provides that beginning in 1978 State administrative costs will be reimbursed generally on the basis of the cost of the program in the preceding fiscal year. States are eligible for 20 percent of the first $50,000 of such program costs, 10 percent of the next $50,000, 5 percent of the next $100,000, and 2 percent of the remainder. Although this provision may be helpful to States with small programs, its effect on larger programs is inconsequential. For example, if the size of New York's 1978 program were estimated to remain the same as it was in 1977 and the State administered it, the State's administrative entitlement would only be increased by about $16,000.

The new law permits the maximum reimbursement for administrative costs to be increased (or decreased) from the amount resulting from application of the prescribed formula only to reflect changes in the size of the program since the previous year. Under the Department's interim regulations for 1978, the Service will not reduce the administrative expense ceiling for a State whose program is smaller than expected if the State has made reasonable efforts to meet its responsibilities.

As a result of its past financial losses, New York State decided not to administer the summer feeding program in 1978. Under the authorizing legislation, the Department must administer the program in States which cannot or will not administer it, which has occurred fairly often. This could result in higher costs than if the State were given adequate funds for administration. (This costs of using Federal personnel can be higher than the costs of using State personnel.) The Department has estimated that its administrative cost for running the program in New York State in 1978 will be about $1.6 million.

The Department administered the summer feeding program in New York State in 1975 and experienced many of the same problems the State experienced in 1976. For 1978 the State did not make its final decision not to administer the program until mid-January, and, as of March 21, the Department had not appointed anyone to be in charge of the New York program for 1978. It is too early to say what problems may be encountered in the 1978 summer feeding program in New York, but the program is off to a slow start.

Our April 1977 report recommended that the Service be authorized to negotiate with the States, on the basis of State-prepared budgets and management plans, to determine a maximum amount up to which a State's actual costs could be reimbursed. This approach would not only permit States to know in advance how much reimbursement they would be entitled to, but also provide the flexibility needed to deal with different situations in different States. Under the November 1977 legislation the States will know in advance how much they can receive in administrative funds, but there is still not enough flexibility in the legislatively prescribed ceiling.

For instance, a State program--such as Maryland's 1976 program--characterized by a small number of reputable, experienced sponsors with well-trained site personnel needs much less administrative effort (such as outreach, training, and monitoring) than a State program--such as New York's 1976 program--with large numbers of poorly qualified sponsors and site personnel who do not comply with program regulations.

Additionally, as a safety precaution, program monitors in New York City generally travel in pairs. We agree with this precaution, even though the number of visits a given number of monitors can be expected to make is cut in half and the cost of site monitoring is greatly increased. The differing administrative complexities of the program in different locations are such that basing the maximum State administrative fund reimbursement on a fixed percentage--whether determined in the future based on the current program or guaranteed in advance based on the previous year's program--is not appropriate.

The new legislation provides for negotiated administrative budgets for sponsors, as we had recommended. It would seem even easier and more appropriate to establish such a procedure for State budgets because States are fewer in number and are more stable, structured organizations than most sponsors.

Negotiated State budgets, in addition to establishing predetermined ceilings, would provide the Secretary of Agriculture with the opportunity to take program complexities into account and adjust State administrative expense reimbursement ceilings accordingly.

In discussing the concept of negotiated State administrative budgets, Department officials told us that most States had not complained about insufficient State administrative funding. They agreed, however, that many States need to increase their administrative efforts in areas such as outreach to find better sponsors and sites, evaluation of proposed sponsors and sites, and program monitoring. Such increased efforts would require more Federal funds for State administration.

The officials said that legislation giving the Secretary complete flexibility in determining the ceiling on each State's administrative cost reimbursement could make it difficult to prepare and justify an amount for these costs in the Service's overall budget. They said it would also be difficult for those reviewing the budget to evaluate the total amount the Department requested each year for State program administration.

The officials said also that, to adequately evaluate each State's needs and determine a final ceiling, criteria would have to be developed for the major elements of State administrative processes, such as sponsor and site approval, monitoring, and outreach. Such criteria would have to give consideration to the numbers of children expected to participate; the estimated numbers and kinds of sites, sponsors, and vendors; and other pertinent factors.

We continue to believe that flexibility is needed in providing Federal funds for State administrative costs because of the widely varying conditions in different States. Bearing in mind the Department's concerns in this matter, we believe that the legislation should be revised in such a way that a base ceiling would be provided for State administrative costs (the same formula now in the law) but that the Secretary would be authorized to approve additional amounts up to a higher ceiling, if he determines this to be needed for a particular State. This higher ceiling, the amounts to be provided, and circumstances warranting payments above the base ceiling would be based on criteria to be developed from a study of State administrative costs.

Payments above the base ceiling would have to be justified based on the criteria and the unusual circumstances in the States needing the additional funds and in no event could they exceed the higher ceiling resulting from the study. The results of the study on State administrative costs, including the higher maximum ceiling the Secretary would allow for unusual circumstances, would be required to be reported to the Congress.

Such a legislative revision, including provision for the required study, would be similar to the November 1977 legislative revision calling for a study to be used as a basis for more flexibility, within limits determined by the study, in providing for sponsor administrative costs.

Providing some States with more Federal funds for State administrative costs should not be regarded as a reward for poor administration but, rather, as a realistic concern that some States have problems, not totally within their control, that hinder the efficient achievement of the program goal of feeding needy children. In locations that have serious problems, additional funds for administration could very well be more than offset by reductions in program waste and abuse.

INSUFFICIENT STATE STAFFING

Staffing problems for reasons other than inadequate funding also plagued the 1977 program. In 1976 some State agencies underestimated their staffing needs and did not have enough staff to adequately administer the programs. For 1977 the Service required the State agencies to have adequate personnel in enough time to plan and carry out the program and to describe their staffing goals in their program plans which are evaluated and approved by the Service. For different reasons, California and Pennsylvania, like New York, were unable to meet their approved staffing goals. (As discussed on p. 14, New York's staffing shortages were due to insufficient funds.)

The California State agency was late in hiring staff and attributed the delay partly to the unavailability of qualified personnel. It intended to hire only graduate student assistants and special nutrition consultants. Those people were not available, however, until the regular school year ended and it was too late for the State to use them in activities, such as preapproval site visits, which occur before the start of feeding operations.

Although the State eventually hired a larger staff than originally planned, the hiring was not timed to provide enough time to accomplish the work as planned. In addition, the program manager who was to be hired by January 1, 1977, was not hired until March 2, 1977.

In Pennsylvania the hiring of staff was impaired by a State policy which had adversely affected summer feeding program staffing since the early 1970s. In attempting to reduce the size of the State government, the State administration instituted a policy of not permitting State agencies to increase employment levels--even if the jobs were fully funded by the Federal Government. Consequently, in 1976 Pennsylvania's administrative costs were about $120,000 below its administrative reimbursement ceiling. Indications are that the State has not spent up to its 1977 ceiling either, even though serious abuses occurred that year.

As a result of their staffing problems, both the Pennsylvania and California State agencies relied on assistance from the Department of Agriculture to accomplish their program administration responsibilities. In California the Department provided monitors at a cost of $55,000 and in Pennsylvania the Department provided 45 supervisory, administrative, and monitoring personnel at a cost of $96,000. (As discussed on p. 14, New York also relied heavily on Department assistance.)

We believe that the impact of the staffing problems was manifested by problems in such areas as outreach, preapproval site visits, and site monitoring, as discussed in following sections.

CIRCUMSTANCES ENCOURAGING SPONSORS TO SUBMIT OVERSTATED CLAIMS FOR PAYMENT

Some nonprofit sponsors in the summer feeding program are submitting overstated claims for reimbursement. We believe that much of this happens because of the combined effects of several legislative and regulatory requirements and administrative practices on feeding sites which do not have, or have access to, adequate facilities; that is, refrigeration and accommodations for feeding children in inclement weather. Efforts to find better sites have not been sufficiently successful, particularly with regard to attacting school sites.

Effects of legislative and regulatory requirements

The authorizing legislation provides that sponsors can be paid only for meals served to children attending approved food service or other programs. The Service requires that, to be eligible for Federal reimbursement, children must eat the meals at the feeding site or at an alternate location where they can be supervised. This is to prevent abuse of the program and assure that the meals are eaten by children for whom the program is designed.

On rainy days or other days when weather precludes children from eating outdoors, the sponsors without access to sheltered facilities have to permit the children to remove the meals from the site to eat them or not give the meals to the children. If the sponsor does not have access to refrigeration facilities for storing the meals until the next day, either action makes the meals ineligible for Federal reimbursement because they are not eaten at the site by children. However, the food vendors, which provide the meals as ordered, legitimately expect to be paid. Thus the sponsors, which are nonprofit organizations, have to knowingly claim reimbursement for ineligible meals, default on their obligations to the vendors, or somehow find other means to pay for the excess meals themselves. All three of these alternatives are extremely undesirable.

The same type of dilemma arises when the expected number of children do not show up for a meal service for reasons other than bad weather. The sponsor has meals on hand which it must pay for but which are not eligible for Federal reimbursement. Without access to refrigeration, a sponsor cannot properly accommodate excess meals--store them and reduce his meal order for the following day--because the meals would spoil.

Many sites had inadequate facilities

Our visits to sites in the three locations in 1977 showed that many sites had marginal or no food storage and/or service facilities. Our April 1977 report pointed out that problems had arisen because sites had been approved which had inadequate facilities. We recommended in the report that the Secretary define what constituted an acceptable feeding site.

Service regulations for 1977 required sponsors to have arrangements for serving children in inclement weather and for storing meals until they were served, including meals

left over at the end of the day. Sponsors which submitted program applications were required to describe these arrangements for each planned site. Despite this, however, States approved sites without adequate facilities or arrangements. In some cases they simply did not verify the existence of the arrangements or facilities the sponsors described; in other cases, they did not want to deny the program to needy children in areas where adequate facilities had not been obtained.

For example, one site in Philadelphia was a vacant lot where the Parks and Recreation Department operated recreation activities. On the day we visited the site, it was raining and there were no recreation activities. The site supervisors were standing under a tree--the only shelter available--handing out lunches to children. The children either took the lunches home or went into abandoned houses across the street to eat them.

Other sites in Philadelphia were "play streets"--streets blocked off to vehicles so the children had places to play. Several residents of one block gave out the lunches to children who took them home because it was raining and there was no dry place to eat them. At another site--a garage with a badly leaking roof--several children took several lunches and supplements home so that their brothers and sisters would not have to come out in the rain.

Nearly all of the meals served at these sites during our visits were ineligible for Federal reimbursement because they were not eaten at the site.

Except for schools which were obvious, we could not determine whether there were other potential site locations available which had adequate facilities in the three locations. Pennsylvania was not successful in persuading the Philadelphia schools to become sponsors or to make school cafeteria facilities available as sites. In the other two locations, some schools were used as sites but there were also many nonschool sites with inadequate facilities.

In Los Angeles County where it seldom rains in the summer, protection from the weather was not a problem. Lack of refrigeration, however, was a problem--as it was in the other locations.

Federal regulations allow a sponsor to give second meals to attending children when there are excess meals, but the meals still must be eaten at the site or other supervised

location. However, the regulations also limit the length of each meal service period. There is a 2-hour maximum for lunches and suppers and a 1-hour maximum for other meal services. By the time site personnel realize they will have excess meals on a particular day, the end of the authorized service period may be very near and most of the children who may want a second meal may have already eaten and left. Meals served after the authorized service period are also ineligible for Federal reimbursement.

Claims submitted for ineligible meals

Many of the sponsors whose sites we visited included ineligible meals in their reimbursement claims--some perhaps because of the circumstances described above. Some site personnel seemed to be conscientiously trying to follow program rules to the extent permitted by the situation. Even these sites served, and were obligated to pay for, meals that were ineligible and were thus encouraged to overstate their reimbursement claims. However, many of the sponsors whose sites we visited and that claimed ineligible meals did not seem to be making an adequate effort to match their meal orders with actual attendance at their sites. They simply ordered the number of meals that matched their authorized maximums and disposed of the excess meals each day. (Further details are on pp. 7 and 8.)

Most of the improper reimbursement claims that include ineligible meals would not be detected during normal program operations because Federal or State program monitors spend very little time at each site--an overall average of perhaps only two or three meal services each summer. (See pp. 34 to 37 for a further discussion of program monitoring.)

Better efforts needed to identify and attract sponsors with adequate feeding sites

The most obvious solution to the problems described above is to obtain sponsors which can provide proper feeding sites. Schools are obviously excellent candidates as sites because their facilities usually include both refrigeration and protection from the elements and because they are usually located fairly close to children's homes.

The importance of having schools as feeding sites is supported by a report recently issued by the Department's Office of Audit on the New York program. The report states that:

"The advantages of having schools as feeding sites were demonstrated in 1977 and we do not know of an acceptable alternative for operating the * * * [program] in New York City."

Although efforts to find better sponsors and sites--commonly called outreach--were better in 1977 than in previous years, not enough emphasis was placed on ascertaining the adequacy of prospective sites' facilities. California and New York conducted outreach efforts aimed primarily at schools and other public agencies. Both were partially successful in persuading schools to be sponsors. The sponsor schools in Los Angeles County, however, did not always use school cafeteria facilities for feeding operations or for storing leftover meals.

In New York City the city's Board of Education agreed to participate as a sponsor in 1977 under a special project (with special funding) designed to assess the feasibility of using the city's schools as feeding sites. This project was operated pursuant to section 10 of the Child Nutrition Act of 1966, as amended (42 U.S.C. 1779) which provides that an additional amount up to 1 percent of a State's program costs can be used for special development projects. This additional money was to be used to pay the Board's administrative costs in serving as a sponsor.

The results of the special project showed that, while the costs of operating the program in the city's schools were higher than other sponsors' costs, the schools seemed to be operating without most of the difficulties and problems observed elsewhere.

The Pennsylvania State agency conducted a limited outreach program aimed at public agencies in 36 cities, including Philadelphia where major problems and abuses had been noted in previous years. This effort consisted of form letters to the public agencies with mailgrams to those not responding to the form letter. No other followup was performed except that State personnel held a meeting with three large prospective sponsors in Philadelphia, one of which was the school district. The State proposed that the entire city be divided among the three organizations, but the school district and one of the other organizations were unwilling to participate in the program on such a large scale.

The November 1977 legislation should make it somewhat easier to attract schools as sponsors in the future because it authorizes the Service, through the States, to negotiate budgets with sponsors instead of placing an inflexible

cents-per-meal maximum on all sponsors' costs. This needed flexibility should enable more schools to become sponsors. The new legislation will also remove one incentive to overstate meal costs--ceilings on sponsors' administrative costs will no longer be based on a cents-per-meal calculation. However, the legislation will not have an impact on the 1978 program as originally intended.

The new legislation requires the Department to conduct a study to determine maximum allowable levels for sponsor budgets, based on such factors as the number of sites and children served and whether the sponsor prepares the meals or buys them already prepared. The results of the study were to have been reported to the Congress by December 1, 1977. The Department was unable to complete an adequate study within the required time--the law was not approved until November 10, 1977. As a result, for 1978 sponsors' maximum reimbursements will continue to be based on an across-the-board cents-per-meal formula applied to the number of meals paid for by the Department. The Department plans to complete its study of sponsor costs in time to formulate more appropriate and flexible criteria for the program in 1979 and subsequent years.

As noted earlier, school sites can have higher administrative costs and might seem on the surface to have higher total costs, but they also have fewer abuses and, on the basis of the number of children actually fed, may really have a lower effective cost than other types of sites. (See pp. 8 and 9).

Solutions are limited and difficult to achieve

In some areas it may be difficult or even impossible to obtain or have access to adequate facilities. We believe that more needs to be done to get schools to make school facilities available for use in the summer feeding program. Local officials, however, are often reluctant to permit schools to be used because the schools are traditionally closed in summer and the officials are concerned about vandalism and wear and tear on school buildings.

Solving the problem is not easy. The more obvious alternatives are to:

--Continue the present approach but mount a much greater effort to obtain sites with adequate facilities. This should include providing adequate funds to cover the reasonable costs of schools and other good sponsors and sites.

--Encourage the participation of schools by providing (in addition to adequate funds where schools are made available) for reduced Federal and/or State financial assistance to school districts refusing to allow school facilities to be used for the summer feeding program.

--Hold back the program from areas in which adequate facilities cannot be obtained, despite provision of adequate funds, and rely on pressure from various government agencies and the public to persuade school officials to make school facilities available.

The first alternative might seem desirable and relatively noncontroversial. However, it likely would continue to some degree the present situation of improper claims and waste because of excess meals. It would require additional outreach efforts at an additional price. Some improvement would be obtained, but the degree of success achieved would be uncertain.

The second alternative would involve some form of sanction by Federal and/or State agencies. While probably the most effective recourse, it may not be the most popular solution. Department officials said this alternative raised questions concerning infringement on local governments' rights and withdrawal of the summer feeding program from local community groups. They also noted that some school districts might accept the sanctions--which could have undesirable effects on local school programs--rather than allow their schools to be used for the summer feeding program. They said that some children accustomed to attending summer feeding sites very near their homes might not participate if the school site nearest their home was farther away.

We recognize that, although the last alternative might bring about the desired effect over the long term, it would have the undesirable effect of not providing program benefits to needy children, even though this might be only temporary.

There may be other alternatives not discussed here and all should be considered. However, one thought should be uppermost in everyone's mind in this regard. The objective of the summer feeding program is to feed needy children and the alternative that meets this objective most efficiently and effectively is the one that should be implemented.

If the program is allowed to continue operating through sponsors and sites that do not have adequate facilities, consideration should be given to permitting some allowance (and payment) for uncontrollable waste caused by excess

meals--as long as a sponsor takes reasonable steps to minimize the number of excess meals and the number of meals eaten off the site.

We recognize that, on a day-to-day basis, it would be very difficult to determine whether site personnel were honestly trying to avoid waste from excess meals, or whether they were simply ordering the maximum number of meals for which they were authorized and not caring about waste. Also, if children were allowed to take the meals away from the site to eat during inclement weather, it would be difficult to tell whether they were actually eating the meals as the program intends. In this kind of atmosphere, State monitoring would need to be much more extensive than is presently required, and much more in State administrative funds would have to be provided. Such additional monitoring would need to be directed more toward sites with inadequate facilities because abuses would be more likely to occur at such sites.

IDENTIFICATION OF PROGRAM TARGET AREAS NEEDS MORE ATTENTION

The summer feeding program has been provided to eligible areas--as distinguished from eligible individuals as in the case of many other food assistance programs--and all children attending approved feeding sites were eligible for free meals. Eligible areas are those in which it is determined that at least one-third of the children are eligible for free or reduced-price meals in the school lunch and/or school breakfast programs.

In 1976 State agencies in California, New York, and Pennsylvania made few, if any, efforts to ascertain in advance the target areas eligible for the program. State officials said they found the required method of determining areas' eligibility difficult to use and simply approved sponsors if it appeared on the surface that they would serve needy children or areas.

Except for residential camps, which constitute a small portion of the program, the method of determining areas' eligibility for 1977 was the same as for 1976. To encourage the States to use appropriate data and procedures in identifying eligible areas, the Service's 1977 regulations required the States to describe in their State plans the criteria to be used to identify and establish eligible program areas.

Following the new regulations, the New York State agency was able to do a good job of identifying eligible areas in advance without undue effort. It considered census

data on personal income, information on free and reduced-price meals served in the school feeding programs, and other types of income data to determine the eligibility of elementary school zones in New York City and of school districts in other areas of the State.

The other two States did not do as well. The Pennsylvania State agency conducted a limited two-part effort to identify eligible areas and the number of children eligible for program participation in 1977. In the first part, the State agency identified large cities as target areas on the assumption that the cities had large populations of needy children or on the knowledge of State program personnel about the counties surrounding the three major urban areas. Because no specific data was used in these determinations, the procedure seemed questionable to us. Later, a statewide analysis of economic need was made using school lunch program statistics. The State had planned to use the results of this later analysis to try to find sponsors and sites for the needy areas, but staff was not available to follow through with this effort.

The California State agency did not adequately identify on its own the areas in which poor economic conditions existed in 1977. Instead, the State agency relied on sponsors to document that at least one-third of the children to be fed at each proposed site would be eligible for free or reduced-price school meals or that all children would come from areas in which at least one-third were eligible for free or reduced-price school meals. Although it had planned to do so, the State did not verify the accuracy of the eligibility data the sponsors submitted. We found that one sponsor justified all of its sites in four cities on the basis that the average family income in each of the cities was lower than the maximum income for free or reduced-price school lunches. The State approved these sites despite the fact that no data was submitted for the specific areas within the cities that the sponsor was to serve.

From what we saw in our review of the 1977 program, we believe that identification of program target areas can be accomplished under existing procedures if the Service makes sure that States follow the steps outlined in their State plans.

IMPROVED BUT STILL INCONSISTENT APPROVAL OF SPONSORS AND SITES

In 1976 and previous years sponsor and site approval, along with sponsors' contracting, was a critical problem

area leading to serious and widespread abuses. In 1976 State agencies assumed that the authorizing legislation required that all sponsors be approved if they would provide food services for children from eligible areas. As a result nonprofit organizations applying for participation were automatically approved with little or no regard to whether several sponsors or sites would serve the same area and the same children or whether the sponsor was honest or capable of operating a satisfactory program. Under these circumstances, dishonest and incompetent sponsors and sites with inadequate facilities were approved along with good sponsors and good sites.

In 1977 the Service's regulations included a priority system for choosing sponsors when more than one sponsor applied to serve the same children. This provision made it clear that all applications did not have to be automatically approved.

The following table shows the numbers of sponsors and sites approved in the three States in 1977. The lower percentages of approvals by New York are in line with the greater efforts made by that State to evaluate prospective sponsors and sites more thoroughly.

	California		New York		Pennsylvania	
	Sponsors	Sites	Sponsors	Sites	Sponsors	Sites
Approved	224	2,615	291	3,765	95	1,593
Denied	28	(a)	59	1,775	9	332
Withdrawn	-	-	37	133	-	-
Total	252	(a)	387	5,673	104	1,925
Percent approved	88	(a)	75	66	95	83

a/Data not available.

Inconsistent State efforts to prevent clustered sites

Clustered and overlapping sites were severe problems in 1976 because so many sites were approved without regard to how many were required to serve the needy areas and the children living there. This resulted in sites having more meals available than could be served to children and ultimately led to reimbursement being sought for ineligible meals.

In 1977 the regulations required that the States take steps to prevent clustering of sites, but they did not outline what steps should be taken to do this and did not require the States to include in their program plans the steps they planned to take to prevent clustering. Neither Pennsylvania nor California took adequate steps to avoid clustered sites in 1977, but major improvement was noted in New York.

Efforts to prevent site clustering commonly involve the use of maps with grid coordinates. Each proposed site is plotted on the map and assigned a location code based on the grid coordinates. When too many sites have similar coordinates, a further investigation is usually made to determine how many sites are needed to serve the area. New York used this kind of procedure in 1977, and we saw little sign of the clustering, overlap, and competition for children that was common in New York City in previous years.

The Service developed a similar procedure for California for 1977, but the State did not use it and did not otherwise determine whether sites were too close together. As a result, site clustering continued to be a problem in Los Angeles County and there were abuses such as those described on page 6 where children walked from site to site collecting meals. State officials said they did not have enough staff to carry out the procedure the Service developed for them.

Clustered and competing sites continued to be a problem in Philadelphia in 1977 because the State did not take adequate steps to prevent it. The State did not even analyze lists of sites and compare site locations. Monitoring by the Service identified 724 overlapping sites. The State agency terminated only 22 of them because a Federal court order prohibited closure of additional sites. The court said the sponsors were not at fault and therefore should not have their sites closed.

In our April 1977 report, we recommended that the Secretary of Agriculture require States to disapprove clustered sites unless they were considered necessary for feeding all eligible children in the area. We continue to believe that site clustering is a serious problem and that, although the Service tried to deal with it in its 1977 regulations, more needs to be done. We believe the Service should require States to present (in their program plans) for Service approval, a specific description of the procedures they plan to use to control site clustering and overlap. The Service should then take steps to make sure the procedures are followed.

State efforts to keep out problem sponsors from previous years

Particularly in New York City and Philadelphia, the summer feeding program in 1976 and previous years had some sponsor organizations that seemed especially prone to blatant abuses. In 1977 New York made a concerted effort to prevent such organizations from becoming sponsors again. This effort consisted primarily of extensive evaluations of all sponsor applications to screen out problem sponsors from previous years.

Initially, 47 applicant organizations were denied participation in the 1977 program in New York City because they had been problems in previous years. Of the 47 organizations, 9 were later approved on the basis of appeals of the denials to higher authorities. Other problem sponsors from previous years did not even apply for the 1977 program, particularly those under criminal investigation. Ultimately, about 60 percent of the sponsors that were identified as problem cases in 1976 did not participate in the 1977 program in New York City.

New York also took other steps to discourage or control organizations which sought participation in the 1977 summer feeding program for financial gain or other improper purposes. The State agency (1) limited new sponsors to 50 sites and generally limited previously participating sponsors to 100 sites, (2) limited meal services to three a day, instead of the maximum five a day permitted by Federal law and regulations, and (3) authorized most sites to serve no more than 300 children each meal. These limitations, more stringent than the Federal requirements, tended to discourage or at least control sponsors with improper motives because they limited the size of the sponsors' programs and consequently the amounts of money going to those programs.

Pennsylvania did not make adequate efforts to keep out problem sponsors from previous years. One sponsor, in particular, asked to serve 16,000 children in Philadelphia in 1977 although numerous abuses were associated with its 1976 program. The State initially denied the application but the applicant appealed the denial. The State did not have adequate proof of the applicant's 1976 abuses, but the Department of Agriculture's investigators offered to help the State fight the appeal or reduce the number of meals the applicant could serve if it was approved by determining whether 16,000 needy children would really be served by the sponsor.

Although this approach had been successful in other States, Pennsylvania officials refused the investigators' offer of assistance on the grounds that a special effort directed at one sponsor would be unjust discrimination because similar investigations were not being made of other applicants. The applicant was approved and numerous abuses were noted again in its 1977 program.

Although California's summer feeding program has not had the large scale blatant abuses characteristic of Pennsylvania and New York in previous years, the State's efforts to approve sponsors could be improved. State officials told us that all sponsors had been visited before approval, as planned. However, the records we reviewed for 46 approved Los Angeles sponsors contained no evidence that 5 had been visited. Also there were 27 sponsors, statewide, that began feeding operations before being approved. The approvals were granted retroactively from 1 to 23 days after actual feeding operations began.

The Department needs to make a more concerted effort to keep problem organizations out of the summer feeding program. Situations such as the one described above for Philadelphia should not be allowed to happen. The Department should make sure that evidence of sponsors' poor performance, especially large sponsors, is systematically accumulated and preserved so that adequate grounds will be available for keeping such organizations out of later years' programs.

Evaluation of proposed sites

As discussed earlier (see pp. 19 to 26), obtaining adequate sites is critical to the success of the summer feeding program. The Service tried to achieve better site evaluations by strengthening its regulations for 1977 to require preapproval visits to all large sites (over 300 in authorized participation) and to all nonschool sites in large cities. Despite this, however, many sites with inadequate facilities were approved in 1977. (See pp. 20 to 22.) New York generally visited sites before approving them, but did not conduct adequate evaluations. The other two States did not make all of the preapproval site visits required by Federal regulations.

In our April 1977 report, we said that all sites should be visited before approval. We continue to believe this is desirable but recognize that exceptions might be warranted in an effort to use limited resources more efficiently. For example, schools or similar buildings which have been used in the program in previous years and which have adequate

facilities on the premises would not require automatic visits every year. However, particular attention would need to be given to sites which do not have adequate facilities on the premises and must rely on alternate arrangements. If such sites are to be approved at all, they should be visited and thoroughly evaluated before being approved, with special attention to the arrangements for storing leftover meals and for feeding children in inclement weather.

Deadlines for sponsor and site applications

The Service's 1977 regulations gave the States authority to establish deadlines for submitting sponsor and site applications. The purpose of such deadlines was to promote orderly and thorough evaluations of potential sponsors and sites. The three States we reviewed established such deadlines but then ignored them by approving many applications well after feeding operations began--in some cases right up to the end of feeding operations in late August.

Accepting large numbers of applications after feeding operations began disrupted the monitoring activities that are crucial at that phase of the program. As discussed on pages 34 to 36, monitoring of feeding operations was not adequate in 1977. Part of this resulted from the diversion of monitoring resources to the evaluation of late applications. Approving additional sites and sponsors beyond the number that can adequately be handled with available monitoring resources also weakens the monitoring effort.

The Service's interim regulations for 1978 provide that States must approve all otherwise acceptable sponsors which apply after the application deadline, when failure to do so would deny the program to significant numbers of needy children. Although we recognize that the purpose of the program is to feed as many needy children as possible, we believe that, if the States are going to accomplish this objective without the abuses that have been so common in this program, they should have flexibility in deciding whether giving consideration to late applications would be in the best interest of the program.

IMPROVED CONTROL OF BIDDING AND CONTRACTING

Program regulations for 1976 and earlier years did not contain specific requirements for State agencies' actions to control sponsors' contracting activities with food vendors, including the bidding process. As a result, past program operations in some States were affected by serious procurement problems and abuses, including alleged vendor kickbacks to

sponsors, falsification of sponsors' reimbursement claims, improper award of contracts at the maximum rates to favored vendors, and a general lack of competition for food service contracts.

The Service's 1977 regulations had specific provisions to prevent such abuses. They required that State agencies develop standard sponsor-vendor contracts, witness the public bid opening for sponsors expected to receive more than $100,000, and approve all contracts of $100,000 or more and those exceeding the lowest bid by more than 2 cents a meal before they were finalized. The regulations also required vendor bonding and health certification and gave State agencies the authority to require prospective vendors to register with the State agency.

New York and California required sponsors to use State-developed standardized contracts as well as bid specifications that met or exceeded the Federal program requirements. Pennsylvania did not develop its own standard contract but required use of the Service-supplied model contract. It did not develop bid specifications.

California and Pennsylvania monitored the bid opening of all sponsors expected to award contracts totaling over $100,000 as required by Federal regulations; bid advertisement and opening were conducted by the individual sponsors. New York State had even tighter control over the bidding process--it took over the bidding process of all sponsors that would have vendor contracts totaling over $10,000. The State agency placed and paid for the bid advertisements, received all bids on behalf of the sponsors, and supervised the bid openings which were conducted at the State's offices in New York City. In addition, New York required the acceptance of the lowest qualified bid, with justification for rejection of the lowest bid if it was deemed unqualified.

Of the three States, New York was the only one that permitted only vendors previously approved by the State agency to submit bids in response to the bid advertisements. Vendors whose past performance was unsatisfactory were not approved. Neither Pennsylvania nor California registered or approved vendors before the award of contracts.

New York also was the only one of the three States that reviewed and approved all 1977 sponsor-vendor contracts for compliance with Service program requirements and State contracting requirements. As a result of the Federal regulations and the State's efforts regarding contracting, the Department's Office of Audit found that in New York

90 percent of the accepted bids were below the Service's maximum allowable reimbursement rates. In 1976 nearly all were at the maximum rate.

Pennsylvania also reviewed sponsor-vendor contracts but did not perform thorough technical evaluations. Most contracts were not reviewed until after their award, and the review process consisted primarily of an assurance that the model contract was filled out properly. During program operations, the lack of State agency review of contract terms became evident when problems surfaced regarding delivery schedules, types of meals served, packing requirements, and meal volume estimates. State personnel said that the staff who reviewed the contracts did not have the expertise needed to perform the reviews thoroughly.

We believe that the improved controls over sponsors' contracting activities was a key factor in reducing program abuses in 1977. The improvements in the Federal regulations and the more active roles by some State agencies seemed to eliminate the fraudulent bidding and contracting so common in previous years.

The Congress recognized the importance of tight controls over sponsor contracting and revised program legislation to require further tightening of contracting procedures, as described in appendix I. (See pp. 54 and 55.)

We believe that the changes in the legislation, if properly implemented, should further strengthen the sponsor-vendor bid and contract process and help assure the quality of food served to children. Additional Service attention may be needed, however, to make sure that the changes are carried out properly.

INSUFFICIENT STATE PROGRAM MONITORING AND ACTION ON MONITORING RESULTS

In 1976 program monitoring regulations were relatively weak, and State agencies' monitoring efforts in New York City, Los Angeles County, and Philadelphia were, for the most part, inadequate to assure the integrity of program operations and to minimize abuses. Also, when serious abuses were disclosed by the monitoring, the State agencies did not always terminate sponsors' operations promptly although they had the authority to do so for cause or convenience. In addition, due to a lack of criteria for terminating sites, unsatisfactory sites were not closed until after numerous and repeated violations of regulations were disclosed.

For 1977 the Service recognized that monitoring was an important function that needed to be strengthened, especially the monitoring of sites operated by large sponsors in large urban areas. The 1977 regulations were revised to some extent on this basis, but further strengthening is needed. None of the three States we reviewed met the Service's 1977 monitoring requirements.

The 1977 regulations provided guidance on terminating participation of sponsors that failed to comply with procurement requirements but did not provide, or require the States to provide, guidance on termination of sites for other reasons. Termination or other action against sites repeatedly found to have violated program regulations in 1977 was inconsistent and indecisive.

In 1977, for the first time, the States were made responsible for some monitoring of food vendor operations. The initial efforts by the States seemed to be a good start, although we did not conduct an indepth review in this area. The efforts should be refined and improved in future years.

Sponsor-site monitoring

In 1977 the State agencies--even with substantial extra Federal assistance--were unable to meet their sponsor and site review requirements during the first 4 weeks of program operations primarily because of a lack of State agency monitor staffing as explained below.

--California was to monitor 1,411 sites in Los Angeles County; however, the State agency monitor staff was not large enough to carry out all required site reviews. In the city of Los Angeles, for example, the State monitors reviewed only 323 of 642 sites of sponsors operating 10 or more sites during the first 4 weeks of operations. Program regulations required that each of these sites be reviewed. A State agency official said that the primary reason for not completing all large sponsor site reviews was the increased monitoring efforts needed for problem sponsors. Federal monitoring in California was independent of the State monitoring effort. (See p. 19.)

--New York, due to budgetary constraints as discussed on page 14, did not hire its full monitoring complement for New York City but instead relied primarily on Federal personnel to monitor the 2,605 sites in

the city. The monitoring concentrated on sponsors with the largest programs and was conducted in accordance with an Office of Audit-designed statistical sampling approach. The sample results were used to determine the overall validity of the sponsors' claims and the amount by which each should be reduced based on a projection of the percentage of meals the sample showed were ineligible. This procedure was substituted for the monitoring pattern prescribed in the Service's regulations. When the approach prescribed in the regulations is used, claims are reduced only for meals the monitors determine are ineligible on the basis of their direct observations with no projections to other days' activities when no monitor is present.

--Pennsylvania hired only 23 monitors in 1977 with 12 of the monitors assigned to monitor the 1,259 sites in Philadelphia. Due to the size of the Philadelphia program and the problems associated with it, a joint Federal-State monitoring effort was established with 45 Federal personnel assigned to assist in various program functions. This effort included the use of a statistical sampling approach for the Philadelphia feeding site visits, similar to the one used in New York City. However, the State refused to project the sample results to the sponsors' total claims.

For 1978 the interim regulations contain monitoring requirements similar to the 1977 requirements except that, for sponsors with 10 or more sites in large cities in large States, reviews are required of only 75 percent of nonschool sites and 25 percent of school sites (instead of all of such sites as previously required) during the first 4 weeks of program operations. As in 1976 States are not required to visit all sponsors or all sites even once during program operations.

Service officials explained that they are trying to direct the monitoring to where it is needed most. They said that the visits are supposed to be concentrated on unproven sponsors and sites and on sites and sponsors with a history of poor performance. Although we agree with this principle, we believe the overall level of monitoring needs to be increased considerably, especially if the Service is going to continue to permit approval of sites with inadequate facilities. (See p. 26.)

Use of a statistical sampling approach for large sponsors might be an effective means of maximizing the impact

of limited monitoring resources. As discussed earlier (see pp. 25 and 26), however, it may not be reasonable to reduce reimbursement claims for every ineligible meal claimed for sites with inadequate facilities. A better approach might be to develop a statistical sampling plan oriented toward determining whether sponsors took reasonable steps to avoid having excess meals and take immediate action against those that have not. This action should consist of reducing the sites' authorized participation levels and/or number of meal services or, in more serious cases, terminating the site.

Inconsistent action on site monitoring reports

The monitoring visits in the three urban centers (Los Angeles County, Philadelphia, and New York City) disclosed the same problems we noted in our visits. (These are described on p. 5.) On the basis of the violations disclosed during 1977 monitor visits, the State agencies took corrective actions, including terminating feeding sites, reducing the numbers of meals the sites were authorized to serve, limiting the types of meals that could be served, and disallowing reimbursement for meal costs.

Complete data on the various kinds of actions taken by the three State agencies was not available. On the basis of available data, it appears that about 231 sites were terminated in New York City, 75 in Philadelphia, and 33 in Los Angeles County during 1977.

Regarding actions on problem sponsors and sites, we noted a lack of consistency in the development and use of criteria by the State agencies. In New York the State agency had developed guidelines for taking actions against problem sponsors and sites but the use of the guidelines was not mandatory and their application was inconsistent, both at the monitor level and the higher supervisory review level. If there had been specific mandatory guidelines, those monitoring the program would have been in a much better position to provide uniform reviews and a more effective effort could have been achieved.

In Pennsylvania the State agency initially developed criteria for actions against sponsors and sites, but effective program control still was not achieved because of incomplete implementation instructions and a lack of staffing. Effective July 25, 1977, the Service and the State instituted more complete and specific guidelines developed specifically for Pennsylvania by the Service for administrative action

against sponsors and sites. Using the Service's guidelines, the State agency took various actions against 128 sites for program violations.

The California State agency had no criteria for taking actions against sponsors or sites. At one site State monitors issued 29 notices for failures to comply with program regulations before the sponsor voluntarily closed the site 3 weeks earlier than had been planned. A State agency official told us that concentrated surveillance of the sponsor's activities contributed to the discontinuance of the sponsor's operation. It seems to us, however, that if specific termination criteria had been available, this site could have been terminated by the State without such an inordinate use of monitoring resources.

We believe that it is critical that the Service develop, or require the States to develop, specific criteria for corrective action--termination, reduction of authorized meal service, or other action--against sponsors and sites not adhering to program regulations. It is also essential that application of such criteria be made mandatory so that the criteria would be consistently applied. If criteria are not developed and consistently applied, the impact of monitoring--which already is inadequate--is further diluted and becomes considerably less effective.

Vendor monitoring

The State agencies carried out a limited vendor visitation program during program operations in 1977. The scope of their efforts--which included such areas as sanitation, recordkeeping, and testing for compliance with meal requirements--varied from State to State as follows.

--California reviewed the operations of all 11 vendors in the State at least once. In addition, Federal personnel made 32 vendor visits and inspections. These visits disclosed some deficiencies which (in five instances) necessitated revisits by the State. Generally, the deficiencies involved the delivery of inedible meals and the untimely delivery of meals.

--Pennsylvania did not assign any State personnel to this function; however, Federal personnel visited two of the three Philadelphia vendors once during program operations. These visits disclosed no serious deficiencies.

--New York, in conjunction with Service personnel, conducted 40 vendor plant inspections during the 1977 program operations. These inspections involved 18 of the 22 vendors. Several plants were visited more than once. From our review of the inspection reports, it seemed that they were rather superficial in content with few significant comments and few, if any, recommendations for corrective actions. We have some doubt whether such inspection visits would have much impact on the quality of food served to children.

The efforts to monitor vendors' operations in 1977--along with improved controls over contracting, as discussed on pages 32 and 34--seemed to constitute a worthwhile start at controlling vendor operations. This monitoring should be refined and strengthened in future years.

EXCESSIVE ADVANCE PAYMENTS TO SPONSORS

Because many sponsors have been nonprofit organizations with limited resources, advances of funds have been necessary to help sponsors plan their summer activities and meet their financial obligations before their reimbursement claims are approved. In the past, however, total advances to some sponsors exceeded the amounts to which they eventually became entitled based on the number of eligible meals they served; this excess can be difficult to recover.

The previous legislation required the Service to make advance payments to each State by June 1, July 1, and August 1 so that the States could make advance payments to sponsors. The law required these payments to be the greater of (1) the amount spent in the same month the previous year (and eligible for reimbursement) or (2) 65 percent of the amount estimated to be spent in the current year. The legislation was interpreted as requiring that advances to the States be passed on to sponsors on the same basis. In addition, the program regulations authorized startup payments to sponsors not earlier than 2 months before feeding operations began for their prefeeding activities, such as planning and contracting. In 1976 and previous years these amounts frequently exceeded the amounts the sponsors were ultimately entitled to on the basis of their final approved claims.

In 1977 both California and Pennsylvania generally advanced 65 percent of the sponsors' estimates of their reimbursable expenses each month. The State agencies did not analyze the sponsors' estimates to evaluate their

reasonableness. A Department audit report for Philadelphia shows that even a limited analysis of sponsors' needs might have resulted in $1.7 million less being advanced for August 1977. New York, on the other hand, estimated the sponsors' reimbursable expenses itself using information obtained during the approval process and based its advances to sponsors on these amounts. The 1977 program regulations required State agencies to make thorough analyses of estimates of reimbursable expenses submitted by sponsors to assure the reasonableness of advance payments.

In our April 1977 report, we recommended that the legislation be changed to provide the States with flexibility to make advance payments to sponsors on the basis of State determination of need. The Congress adopted our recommendation and gave States the authority to establish the amount of advance payments needed for each sponsor. This new provision will have the desired effect, however, only if the States properly determine the sponsors' needs for fund advances.

We were unable to determine conclusively whether the 1977 advances to sponsors were in excess of their needs because the sponsors had not submitted their final payment claims or the claims had not been processed at the time we completed our fieldwork. It is likely that excessive amounts were advanced in California and Pennsylvania, however, because the State agencies did not thoroughly evaluate sponsors' estimates of what their reimbursable expenses would be for 1977.

Recovery of previous years' advances

In 1976 there were 61 New York sponsors that had advances outstanding which exceeded the amounts they were entitled to receive on the basis of their reimbursable costs. These excesses totaled about $2.2 million. In 1977 some of these organizations were sponsors again and New York recouped about $663,000 by refusing to make advance payments for 1977 until the outstanding advances for 1976 were repaid. This was consistent with program regulations which required States to recover overpayments of program funds to sponsors and cautioned that failure to return overpayments from previous years was grounds for declaring an applicant sponsor ineligible. Identical provisions are contained in the proposed 1978 regulations.

California and Pennsylvania did not use this procedure in 1977. For example, Pennsylvania advanced one sponsor $400,000 even though it had an outstanding advance of

$273,000 from 1976. In this case the Service's regional office advised the State not to make the advance but the State ignored the advice. The Department's Office of Audit recommended that the State be considered liable for any related fiscal loss if full recovery was not forthcoming. We concur in this recommendation in view of the fact that the Service's regulations required States to take all reasonable steps to promptly recover overpayments. Aggressive action such as that recommended by the Office of Audit should discourage States from needlessly advancing funds to sponsors that have not returned overpayments from previous years.

CHAPTER 4

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

Efforts by the Department of Agriculture and the New York State agency to eliminate abuses in the 1977 summer feeding program achieved some success. Although there were still considerable abuses in 1977 in all three locations we reviewed, and additional legislative and administrative actions are needed to overcome the remaining problems contributing to the abuses, there was little or no evidence in the three States of many of the flagrant abuses of previous years. The Department's and New York's efforts to allow only honest sponsors into the program and to control sponsors' bidding and contracting activities were largely responsible for the improvements in 1977.

A major basic problem in some States continues to be the legislatively imposed limits on Federal funds for State administrative expenses. This problem pervaded all activities conducted by States, such as New York which tried very hard to administer the 1977 program properly but was faced with enormous and complex problems in the process.

If the States are to be kept in the program and have any hope of consistently good administration, the Secretary of Agriculture must be given more flexibility to provide the amounts of administrative funds the States actually need. Adequate funds for State administration will not, of course, guarantee good administration, but we believe it is certainly a prerequisite for this program. Present program legislation provides adequate funds for some States, but additional administrative funds could be effectively used in States where the bulk of program funds are spent and where most of the abuses have occurred.

Factors other than inadequacies in State administrative funds also contributed to State staffing problems--especially in Pennsylvania. It will be difficult for the Service to insist that the States provide staff adequate to administer the program unless adequate Federal funds can be provided to cover State administrative costs. In the absence of adequate funds, it may become necessary for the Department to regularly supplement State staffs with its own personnel.

Another basic problem is the combination of factors that encourages some sponsors--those operating sites without refrigeration or facilities for feeding children in inclement

weather--to overstate their reimbursement claims. Although better efforts are needed to obtain sites with adequate facilities, it may not be possible to obtain such sites in some areas despite extensive efforts to do so. This problem needs the attention of the Congress and the Secretary of Agriculture.

Specific Department attention must be directed to minimizing problems in various program areas. These include:

--Determining areas' eligibility for program benefits.

--Clustered and overlapping feeding sites.

--Keeping sponsors that had poor performances in previous years out of the program.

--Visiting proposed feeding sites before they are approved.

--Deadlines for sponsors' applications.

--Monitoring program feeding operations.

--Criteria for taking action against sponsors and sites found to be violating program regulations.

--Advancing funds to sponsors.

RECOMMENDATIONS TO THE CONGRESS

We recommend that the Congress amend the legislation authorizing the summer feeding program to provide for a base ceiling (using the same formula now in the law) for State administrative costs and authorize the Secretary of Agriculture to approve additional amounts, up to a higher ceiling, if he determines this to be needed for particular States because of unusual circumstances. The amended legislation should require the Secretary to make a study of State administrative costs to determine what the higher ceiling should be. We recommend also that the Secretary be required to establish criteria and standards, on the basis of the study, for recognizing the various kinds of unusual circumstances that would justify payments above the base ceiling and for determining the amounts of such payments. The Secretary should be required to report the results of his study to the Congress by November 1, 1978, so that the new procedure can be implemented for the 1979 program.

To accomplish this recommendation, subsection 13(k) of the National School Lunch Act should be amended by adding the following to that subsection:

> "Provided further that the Secretary may make additional payments to States needing additional administrative funds because of unusual circumstances in those States. The maximum amount of such additional payments, along with criteria and standards for justifying the additional payments and for determining the amount in each case, shall be determined by the Secretary on the basis of a study he shall perform of State administrative costs in the summer food service program for children. The results of this study, including the maximum additional payments the Secretary determines pursuant to this subsection, shall be reported to the Congress no later than November 1, 1978."

MATTER FOR CONSIDERATION BY THE CONGRESS

The problem of finding adequate sites at which to operate the summer feeding program and determining what steps should be taken when adequate facilities cannot be obtained needs attention by the Congress and the Secretary. Solving this problem is not easy. Alternatives for consideration include the following:

- --Continue the present approach but emphasize a greater effort to obtain sites with adequate facilities and allow payment for some meals not eaten by children at the site (when sites seem to be taking adequate steps to minimize waste).

- --Encourage the participation of schools by providing for reduced Federal and/or State financial assistance to school districts refusing to allow school facilities to be used for the summer feeding program. This should be coupled with adequate administrative funding to cover the schools' costs.

- --Hold back the program from areas in which adequate facilities cannot be obtained and rely on pressure from various government agencies and the public to persuade school officials to make school facilities available.

As discussed on pages 24 to 26, none of the alternatives seem ideal; they all have varying degrees of advantages and

drawbacks. In evaluating the alternatives, however, one overriding factor should not be forgotten--the objective of the summer feeding program is to feed needy children and the alternative which accomplishes this objective most efficiently and effectively is the one which should be implemented.

RECOMMENDATIONS TO THE SECRETARY OF AGRICULTURE

We recommend that, to improve the administration of the summer feeding program, the Secretary of Agriculture have the Food and Nutrition Service:

--Make sure the States follow the procedures outlined in their program plans for identifying areas eligible for the summer feeding program.

--Give States the option of accepting or rejecting sponsors' applications submitted after the deadline established by each State.

--Require States to describe in their program plans the specific procedures they will use to prevent overlapping and clustering of feeding sites and make sure these procedures, once approved by the Service, are implemented.

--Make sure the States are taking adequate steps to keep out of the program sponsors that committed substantial abuses in previous years, including the collection and retention of needed evidence of abuses.

--Hold States liable for losses due to (1) the States' not properly evaluating sponsors' requests for advances of funds and (2) States' advancing funds to sponsors which owe money from previous years' advances.

--Determine the feasibility of developing a statistical sampling approach for program monitoring oriented toward taking early action against sponsors and sites violating program regulations, such as reducing the numbers of meals or meal services authorized or terminating the site or sponsor participation.

--Develop or require States to develop mandatory criteria for taking early action against sponsors and sites found to have violated program regulations.

We recommend also that, until such time as additional funds can be provided for needed State administration, the Secretary have the Food and Nutrition Service require the States to concentrate preapproval site visits and program monitoring on sites which do not have adequate facilities at the site for storing leftover meals and for feeding children in inclement weather if such sites are to continue to be approved.

We recommend further that, until additional funds can be made available for needed State administration, the Secretary direct that Department personnel and resources continue to be made available to supplement State administrative efforts as needed.

In addition, we recommend that, at such time as additional funds can be made available for State administration, the Secretary have the Service require the States to

--visit and inspect all proposed sites before approving them, except sites that have a proven record of satisfactory participation in the program and which have adequate facilities at the sites for storing leftover meals and for feeding children in inclement weather, and

--increase program monitoring in the first 2 weeks of program operations, with emphasis on new sites, sites without adequate facilities, and other sites which are prone to violating the regulations.

AGENCY COMMENTS AND OUR EVALUATION

We discussed the matters presented in this report with Department of Agriculture and Food and Nutrition Service officials and obtained their oral comments. They generally concurred in our findings and their views are recognized as appropriate throughout the report. They also agreed with our recommendations and have begun actions to implement some of them, in some instances doing so on their own before we discussed our recommendations with them.

The Department's overall actions and its continuing interest in improving the administration of the summer feeding program are encouraging. Much remains to be done, however, and we urge the Department to further intensify its efforts to prevent and detect program abuses while still feeding needy children.

STATUS OF PREVIOUS RECOMMENDATIONS

Since our last report on the summer feeding program (CED-77-59, Apr. 15, 1977) was issued, the Congress has enacted new legislation designed to strengthen the program and eliminate the abuses and deficiencies that adversely affected previous program operations. The new legislation (Public Law 95-166, Nov. 10, 1977, sec. 2, 91 Stat. 1325) extends the program through September 30, 1980, and incorporates many of the legislative and administrative changes recommended in our last report. The Department of Agriculture incorporated some of our other recommendations into the Food and Nutrition Service's program regulations.

The extent to which each of our recommendations was adopted is described in the following sections. Those recommendations which were not fully adopted but which we believe should be further considered are discussed and repeated in the report; those sections of this appendix are cross-referenced to applicable parts of the report.

RECOMMENDATIONS TO THE CONGRESS

In view of past program abuses, we recommended that the Congress enact certain legislative changes to help eliminate and minimize the extent of abuses and to improve future program operations.

Sponsor eligibility

The previous legislation (Public Law 94-105) provided that "Any eligible service institution shall receive the summer program upon its request." This provision had created the impression among some States in 1976 that all nonprofit service institutions that applied to be sponsors were automatically eligible and had to be approved.

We recommended that the Congress clarify that the legislation did not require approval of every service institution that applied. The Congress adopted our recommendation and deleted the wording that implied automatic sponsor approval.

Establishing children's eligibility

The previous legislation established program eligibility on an area basis--eligible areas were those in which at least one-third of the children were eligible for free or reduced-price school meals. In 1976 the States found this requirement difficult to use in determining the eligibility

of various areas and of residential summer camps not located in target areas.

We recommended that the Congress revise the eligibility criteria to

--establish census tract data as the primary criterion for determining site eligibility or replace the area eligibility concept with eligibility based on the need of the individual participants and

--require that residential camps and other sponsors requiring enrollment in their programs be paid only for meals for individual children determined to be needy.

In the November 1977 legislation, the Congress retained both the area eligibility concept and the criteria in the previous legislation; however, as an option it provided for determining children's eligibility on the basis of individual need; that is, income statements. In addition, the Congress adopted our recommendation that camps be reimbursed only for meals served to children eligible for free or reduced-price school meals.

In 1977 New York successfully used the area eligibility criteria outlined in the law. Accordingly, we believe that an area's eligibility can be established without undue difficulty under the existing procedure. (See pp. 26 and 27.)

Meal service

The previous legislation stated that:

"No service institution shall be prohibited from serving breakfasts, suppers, and meal supplements as well as lunches unless the service period of different meals coincides or overlaps."

This provision appeared to make meal approvals mandatory, resulting in States' in 1976 routinely approving the number of food services--up to 5 a day--desired by the sponsors.

In view of the program's objectives and operating problems, we recommended that the Congress reduce the number of authorized meals to breakfast, lunch, and a supplement, except for residential camps. The Congress adopted our recommendation and restricted meal service to a maximum of three meals a day including a meal supplement, except for residential camps which are authorized to serve up to four meals a day.

State administrative funds

The previous legislation provided that State costs for administering the summer program would be reimbursed up to 2 percent of program costs in each State each year. In 1976 this provision made it very difficult for some States to plan and budget their activities because the amount of administrative funds to which they were entitled was not known until after program completion, and the money advanced to them had already been spent. Also the Secretary did not have flexibility to provide different amounts to States with different needs. Consequently, some States did not spend all of the administrative funds ultimately available, while others exceeded their 2-percent limitation.

In view of the serious drawbacks in this method of reimbursement, we recommended that the Congress give the Service authority to negotiate with the States to determine a maximum amount for reimbursement of actual State administrative costs, based on State-prepared budgets and plans. The Congress did not adopt our recommendation; instead, it provided a graduated scale of percentages based on program costs in the preceding fiscal year. Under this new formula, States with small programs can receive substantially more than they did before, but increases for States with large programs will be insignificant. In addition, the Department was given the authority to adjust State entitlements to reflect changes in the size of the States' programs since the preceding fiscal year.

We continue to believe that the Secretary should have more flexibility in funding State administrative costs. (See pp. 17 and 18.)

Sponsor administrative costs

The previous legislation provided for sponsors to be reimbursed for their actual administrative costs subject to a ceiling based on a specified amount per meal for each type of meal service. This provision created an incentive for waste and mismanagement. If sponsors increased the number of meals reported as served, the maximum amount of the administrative funds they could receive was also increased.

To eliminate the adverse incentive, we recommended that the Congress provide for maximum sponsor administrative cost reimbursement on the basis of program-related budgets approved by the States. The Congress accepted our suggestion and provided that every sponsor, when applying for participation in the program, submit a complete budget for administrative costs

related to the program, subject to approval by the States. Also the legislation requires the Secretary to make a study of sponsor administrative costs to be used as a basis for setting overall ceilings. Because the Department has not had time to complete the study, this provision will not be implemented in 1978, and the cents-per-meal limitations will continue to be used. The study is underway and the new provision should be implemented in 1979. (See p. 24.)

Advance payments to sponsors

The previous legislation required that the Service make advance payments to each State to enable it to make advance payments to sponsors. The payments were to be the greater of (1) the amount earned in the same month in the previous year or (2) 65 percent of the amount expected to be earned during the month. The law was interpreted as requiring States to pass on the advance funds to each sponsor in the same amount as was provided to the State.

In 1976 this provision resulted in some sponsors' receiving advance payments larger than their cash needs or their eligible claims for reimbursement, because of sponsor overestimates of program size. To prevent such overpayments, we recommended that the Congress give the States the flexibility to make advance payments to sponsors on the basis of State determinations of need.

The Congress adopted our recommendation and gave States the authority to establish the amount of advance payments to be given to each sponsor.

Program regulations

The previous legislation required the Department to publish final program regulations, guidelines, applications, and handbooks by March 1 of each fiscal year. State officials described this date as too late for orderly program implementation and cited it as a contributing cause for the problems affecting the program in 1976.

We recommended that, to provide the States and sponsors more planning time, the Congress require the Department to publish final regulations by January 1 and guidelines, applications, and handbooks by February 1. The Congress adopted our recommendation but the Department was unable to meet these publication dates for the 1978 program. Department officials said the delay was because the new law was not finally approved until November 10, 1977, and because the law contained a number of new provisions which required considerable groundwork before regulation issuance.

Interim regulations dealing with definitions, State agency responsibilities, State management plans, State administrative funds, program funds, and program payments were issued on January 31, 1978. Proposed regulations on the remainder of the program were issued on February 3. The Department planned to issue final regulations by March 24.

Limiting program sponsorship

The 1976 program was adversely affected by serious program abuses which generally involved private nonprofit sponsors. About three-fourths of the sponsors were private nonprofit organizations; the others were schools or city and county government agencies, such as park departments. The public agencies appeared to operate relatively good programs.

Because the program is designed to continue into the summer the benefits of the school feeding programs available during school months, and schools and public agencies appeared to operate without the widespread abuses that seem to be motivated by opportunities for economic gain, we recommended that the Congress limit program sponsorship to schools, public agencies, and nonprofit residential camps.

Although the Congress did not fully adopt our recommendation, it enacted sponsor eligibility criteria and an order of priority for sponsor program participation which gave top priority to local schools. These measures are intended to maximize the use of school food service facilities, as well as the facilities of sponsors preparing meals themselves instead of buying meals already prepared. In addition, the eligibility criteria and the emphasis on schools and self-preparation sponsors should help alleviate the widespread abuses that have affected private nonprofit sponsors in previous years. We believe further consideration should be given to limitations on feeding sites. (See pp. 24 to 26.)

RECOMMENDATIONS TO THE SECRETARY OF AGRICULTURE

In addition to the legislative recommendations outlined above, the Congress also incorporated in the new legislation several of our recommendations to the Secretary for administrative changes. These and other administrative recommendations from our April 1977 report are discussed below.

Sponsor applications

For the 1976 program the Service's regulations required that sponsor applications be submitted to the States at

least 30 days before the start of food service. This gave insufficient time for some States to adequately evaluate prospective sponsors' qualifications, and many incompetent and dishonest sponsors were approved for the 1976 program.

The 1977 regulations required States to establish the date by which sponsor applications had to be submitted. This provision helped alleviate some the problems that occurred in 1976; however, the sponsor approval process continued to be a problem in California and Pennsylvania. (See pp. 30 to 32.)

We recommended that program regulations require that sponsor application dates established by the States be included in State program plans and be subject to State approval. The new legislation mandates the inclusion of the State's schedule for applications by sponsors in the State program plans to be submitted for annual approval by February 15. However, the Department's proposed regulations for the 1978 program would diminish the effects of having a deadline for sponsor applications. We disagree with the proposed regulations. (See p. 32.)

Sponsor termination

Although States had the authority to terminate sponsors for cause and convenience, we found no instances in 1976 where sponsors with serious problems in their operations were terminated. Before the 1977 regulations were issued, we proposed that the Department provide guidance to the States regarding grounds for terminating sponsor participation and for providing alternate means of continuing the feeding operations of terminated sponsors.

The 1977 regulations partially addressed this matter by providing guidance on sponsor termination for failure to comply with procurement requirements; however, they did not provide criteria for terminating a sponsor for otherwise unsatisfactory performance and did not suggest alternate means for feeding children of terminated sponsors. We recommended such criteria in our April 1977 report.

The Congress requires in the new legislation that State program plans for 1978 and subsequent years include the States' plans for timely and effective action against program violators. We concur in this requirement; however, we continue to believe that the Department should provide criteria for terminating a sponsor for grounds other than failure to comply with procurement regulations. (See pp. 37 and 38.)

Site approval and limitations

The 1976 regulations required that sponsors submit information on each proposed site but did not define what constituted an acceptable site and failed to provide criteria and procedures for site approval. As a result, most sites were routinely approved with the consequence that many unsatisfactory sites were approved.

The regulations for 1977 limited the number of children that could be served at a feeding site, the number of sites per sponsor, and the number of children to be served by a sponsor at all its sites without further specific State action. State personnel were required to conduct preprogram site visits to all nonschool sites in larger cities. In addition, the States were given the authority to limit the type of meals served.

We recommended that the regulations be further revised to

--define what constitutes an acceptable feeding site;

--require States to visit all sites before approval; and

--require States to disapprove clustered sites to reduce competition for children, unless such clustering is necessary to feed eligible children in the area.

The new legislation did not address these recommendations and the regulations in effect for 1977 did not result in complete elimination of the problems. (See pp. 28, 29, 31, and 32.) We believe further changes are needed.

Site termination

Program regulations for 1976 and earlier years gave the States the authority to terminate sponsors, but did not provide criteria for terminating unsatisfactory sites. Consequently, unsatisfactory sites in 1976 were not closed until disclosure of repeated and numerous violations. The 1977 regulations provided that States restrict sites to one meal service a day for certain violations of food service requirements. However, the Department also should have provided criteria and guidance for terminating individual sites and for providing alternate feeding sites as we recommended in our April 1977 report.

Although the new legislation requires that State program plans for 1978 and subsequent years include the States' plans

for timely and effective action against program violators, we continue to believe that the Department should provide criteria and guidance for terminating individual sites and for providing alternate feeding sites. (See pp. 37 and 38.)

Sponsor-vendor relationships

Program regulations for 1976 and earlier years did not give State agencies adequate control over sponsors' bidding and contracting activities. As a result, past program operations were adversely affected by serious procurement problems and abuses. The 1977 regulations, in part, addressed these problems; however, we concluded that additional requirements were needed and made the following recommendations.

--Sponsors who contract for food services be required to publicly solicit bidders through specified means of advertising. We suggested advertising in two or more general circulation newspapers, as well as as in trade journals, the Commerce Business Daily, or other appropriate media whenever practicable.

--Sponsors be required to accept the lowest bid unless circumstances make acceptance of another bid more beneficial to the program (rather than to the sponsor) and this can be adequately justified to the State.

--After the bid openings, but before award of contracts exceeding $100,000, States be required to evaluate prospective vendors. We suggested that States inspect the vendors' food preparation facilities, inquire into potential conflicts of interest between the contracting parties, and consider the vendor's previous performance in this and other child nutrition programs.

--All sponsor-food vendor contract awards for sponsors entering contracts totaling more than $100,000 be subject to State approval.

The Congress strengthened the bidding and contracting process by enacting provisions which require

--the registration and approval by State agencies of vendors, together with maintenance of a central record of all registered vendors by the Department;

--that sponsors may contract on a competitive basis only with vendors registered by the State;

--the use of a standard State-developed contract for sponsor-vendor contracting;

--the use of Department-developed requirements governing bid and contract procedures, including, but not limited to, bonding requirements, procedures for review of contracts by States, and safeguards to prevent collusive bidding activities between sponsors and vendors;

--that to assure meal quality, States prescribe model meal specifications and model food quality standards;

--that all sponsor-vendor contracts include menu cycles, local food safety standards, and food quality standards approved by the States; and

--that all sponsor-vendor contracts include provisions for periodic inspections of meals to determine bacteria levels and that the bacteria level conform to local health authority standards.

We believe that these requirements, if properly implemented, should strengthen the sponsor-vendor bid and contract process and help assure the quality of food served to children. (See p. 34.)

Timing administrative fund advances to States

In 1976 the final advance of funds for State administrative costs was made as late as August, although it was planned for July 15. Several States complained that the last advance was needed earlier to match their actual cost needs and that the late receipt of the advance prevented them from spending the funds for needed administrative measures.

Before the 1977 regulations were issued, we suggested that the Department make the final advances by June 15. The 1977 regulations provided some acceleration of advances to States, although the final advance was still due no later than July 15. The final advance date apparently did not present a problem to the States in 1977. Consequently, we believe that the actions taken by the Department in this matter were adequate.

State program staffing

Late hiring plus underestimating actual staff needs by the States resulted in State agencies not having the personnel needed to adequately monitor and administer the 1976 program. We proposed that the Service require permanent,

full-time or equivalent, year-round State agency staffing in each State where the program was expected to exceed $5 million a year.

The Department did not adopt our proposal for 1977 but simply required that State staffing be available in sufficient time to properly plan and implement the program. We included our proposal as a recommendation in our April 1977 report. The Congress indirectly addressed this matter by requiring the Department to establish standards and effective dates for proper, efficient, and effective State program administration and by requiring State program plans to include the State's administrative budget.

The interim regulations for 1978 are more specific than last year's regulations regarding State staffing. They contain deadlines to ensure that administrative and field staff personnel are available when needed and require additional hiring of necessary personnel because of unanticipated program growth or program irregularities. These changes, if properly implemented, should direct the attention needed to the area of State staffing.

Program monitoring by States

The 1976 regulations required limited monitoring of sponsors and their sites by the States. The States' monitoring efforts in major urban areas, for the most part, were inadequate to assure the integrity of program operations and to minimize abuses.

The 1977 regulations strengthened the requirements for State monitoring of sponsors and sites and, for the first time, made the States responsible for some monitoring of food vendor operations. These did not fully incorporate our proposals. We recommended that the Department require the States to

--visit all sites during the first 4 weeks of operations and concentrate subsequent monitoring on sites with serious deficiencies and

--include in State program plans information on the frequency of visits to feeding sites and vendors and the scope of State monitoring.

The new legislation does not address or mandate site visitation requirements. However, it requires that State program plans for 1978 and future years include the States' plans for monitoring and inspecting sponsors, feeding sites, and vendors and for ensuring that vendors do not enter into

contracts for more meals than they can provide effectively and efficiently.

We concur in these requirements; however, we continue to believe that State program monitoring of sites must be increased to assure the propriety of program operations and the validity of final sponsor claims. (See pp. 34 to 38.)

Sponsor recordkeeping

Sponsor recordkeeping in sufficient detail to justify the reimbursement claimed is needed to protect the Government's interest. The maintenance of inadequate and false sponsor and site records has been a continuing program problem and was one of the major problems affecting program operations in some of the States we visited in 1976 and 1977.

The regulations called for maintaining records on the number of meals reported as being served. However, such information had not been adequate to support the sponsors' claims. Consequently, we recommended the regulations be revised to require sponsors to keep rosters of the names of children served daily to support claims for reimbursements. The Congress did not adopt this recommendation in the new legislation nor did the Department in its 1978 regulations.

On the basis of our review of the 1977 program, we continue to believe that, because of the incentives for some sponsors to overstate their reimbursement claims, existing recordkeeping requirements will not be sufficient to ensure proper claims. Other, more basic changes are needed. (See pp. 24 to 26.)

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